

**Supplemental Reporting Document
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December 2007 Investment Committee Meeting
(October 2007 Reporting Period)**

Quarterly and Semi-Annual Reports

AIM Program

Deferred Compensation Program

Securities Lending Earnings

Supplemental Income Plans

Internally Managed Domestic Equity Index Fund (No items to report)



Investment Office

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December 17, 2007

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Semi-Annual Report - Wilshire
- II. PROGRAM:** Alternative Investment Management (AIM) Program
- III. RECOMMENDATION:** Consent
- IV. ANALYSIS:**

Background

At the August 1997 meeting, the Investment Committee requested that a consultant be retained to provide an independent analysis of the performance of the AIM Program and its consultants. Wilshire Associates was chosen to prepare the semi-annual performance reports. The report has been reviewed by the Performance Monitoring Unit.

Wilshire's report for the period from the Program's inception (1990) through June 30, 2007 is provided in the Wilshire AIM Market Review and Performance Analysis Report (Attachment 1).

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

Attached is the performance report prepared by Wilshire Associates for the AIM Program from its inception (1990) through June 30, 2007.

Dana C. Warmenhoven
Investment Officer I
Performance Monitoring Unit

Matt Flynn
Division Chief, Investment Office

Anne Stausboll
Chief Operating Investment Officer

Russell Read
Chief Investment Officer

**Alternative Investment Management (AIM)
Market Review & Performance Analysis
For the period ended June 30, 2007**

Introduction

The purpose of this report is to discuss the market environment for alternative investments and to compare the performance of CalPERS' AIM Program versus the market. This report is divided into three sections:

1. Performance: The first section lists the June 30, 2007 market values and the performance since inception of the different sectors in the AIM Program.
2. Universe Comparison: The second section compares the performance of AIM's buyout, mezzanine, and venture capital investments to their respective universes on a vintage year basis.
3. Market Environment: The third section will discuss the general market environment for buyouts, venture capital, as well as distressed and mezzanine debt, and the overall European private equity market.

The investment profile of CalPERS' AIM Program ("the Program") is shown in Exhibit I below. The majority of the Program's assets are invested in buyout funds (corporate restructuring), investment vehicles, and venture capital.

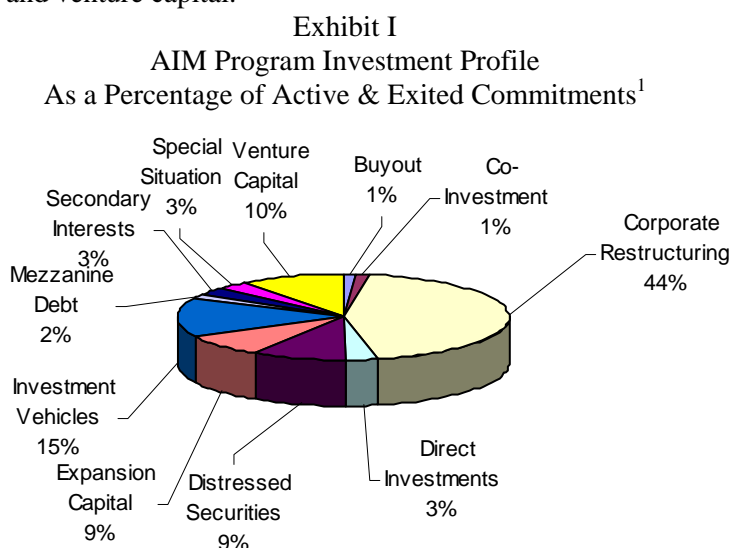


Exhibit II displays the performance of CalPERS' AIM Program.

¹ Investment Vehicles include California Emerging Ventures I, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and PCG Corporate Partners Program.

Exhibit II
AIM Program Summary

<u>Investment Category</u>	<u>Capital Commitment w/Exited (\$mil)²</u>	<u>IRR 6/30/2007³</u>
Buyout	\$447.9	(19.5)
Co-Investments	581.0	1.9
Corporate Restructuring	18,401.5	19.2
Direct Investments	1,286.7	20.9
Distressed Securities	3,837.4	21.4
Expansion Capital	3,551.7	4.6
Investment Vehicles ⁴	6,052.1	7.4
Mezzanine Debt	723.5	2.6
Secondary Interests	1,362.3	18.4
Special Situations	1,123.1	6.9
Venture Capital	4,295.9	8.3
Total Commitments w/Exited	\$41,663.1	14.1

- As of June 30, 2007 the AIM Program had total commitments of \$41.6 billion and active commitments of \$26.2 billion.
- As of June 30, 2007 the AIM Program has generated a net internal rate of return (“IRR”) of 14.1%. The inception date was March 1990. As of June 30, 2007, the ten-year rolling average return for the CalPERS Custom Wilshire 2500 Index plus 300 was 11.2%. The public markets has had stellar returns over the past few years, and the performance of the AIM program has improved and should continue to go higher as there is typically a lag in the valuations in the private market to those of the public market. In addition, the AIM program is still young and only has an average age of 3.6 years and therefore the majority of the portfolio is still in the early stage of its investment life. To address the young age of the AIM portfolio, CalPERS adopted a short-term benchmark. The benchmark measures performance of partnerships in the first five years of life against Venture Economics’ universe data. As of June 30, 2007 the AIM Program’s young funds produced an IRR of 27.6%, which ranks above the Custom Venture Economics Young Fund Universe median return of 6.0%⁵. Analysis of alternative private equity benchmarks indicates that the Custom Venture Economics Young Fund Universe is a more representative benchmark for the AIM Program, as it compares the Program’s young funds to a similar universe.
- The performance of the Program’s younger funds is affected by the “J-curve.” The “J-curve” references the typical pattern of investment returns exhibited by private investments. This occurs because managers’ investments are carried at cost until there is a tangible basis for changing an investment’s valuation. The significant outperformance of the CalPERS’ AIM Program in the face of the J-curve phenomenon is a function of well-rewarded deal selection.

² Includes all active and exited commitments (in \$ millions) as of June 30, 2007.

³ IRRs are provided by State Street PrivateEdge. The inception date for the AIM program is March 1990, but investment categories may have different inception dates.

⁴ Investment vehicles include California Emerging Ventures, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and Corporate Partners Program.

⁵ The Venture Economics young fund universe information is preliminary. Venture Economics releases preliminary information to Wilshire and CalPERS when its database is at least 65% populated.

- The Program's partnership funds represent the single largest investment category in which the Program is invested. The buyout investments ranked very favorably versus the partnership universe provided by Venture Economics, outperforming the universe median during almost all vintage years. Through June 30, 2007 the partnership funds yielded a return close to 1.5%. The buyout funds are classified in the Corporate Restructuring and the Expansion Capital investment categories in Exhibit II. An annual as-of December detailed universe comparison is provided on Page 4 of this report.
- Venture capital showed a positive IRR of 8.3 as of June 30, 2007. As shown on page 5, the historical median IRR with the exception of 1998 and 2002 has performed well in comparison to the venture capital universe. An annual as-of December detailed universe comparison is provided on Page 5 of this report.

Universe Comparison Information For the period ended June 30, 2007

This section of the report will focus on the Program's performance versus a universe of its peers, provided by Venture Economics (VE)⁶. Specifically, there are three primary categories of alternative investments in which CalPERS invests. The categories are buyouts, mezzanine and venture capital.

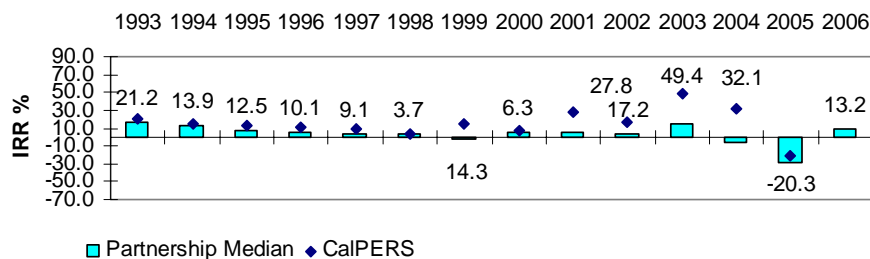
Each investment category is presented in a separate chart below. The universe median is plotted for each vintage year. This represents the return that falls at the 50th percentile of the specific asset category universe. CalPERS' performance, for funds in the asset category, is also plotted by vintage year (e.g., all buyout funds that were initiated in 1996 are aggregated into a composite internal rate of return for that vintage year). These universe charts will not show a ranking for CalPERS for those vintage years during which CalPERS had no investments. The vintage year format of performance reporting is consistent with the requirements of the CFA Institute.

The public equity market was up in 2006 as the Fed stopped raising interest rates in hopes of engineering a soft landing for the economy as housing prices slowed, but strong employment numbers remained. Due to strong returns in the public sector many investors continued to commit capital to the private markets. Venture capital and buyout fundraising set record levels in 2005 and strong fundraising has continued throughout 2006. When evaluating the performance of the young funds (1999-2005) below the historical returns may not be indicative of the investments' future potential as the J-Curve may have affected performance.

Exhibit III displays the VE Partnership Universe versus CalPERS' performance in this asset category. CalPERS' Partnership funds outperformed the universe median across all vintage years. The numbers in the charts represent CalPERS' IRRs.

Exhibit III⁷

CalPERS Performance vs Buyout Median Return



⁶ CalPERS has contracted with Venture Economics (VE), a database vendor, to obtain peer group comparison information. VE, in turn, provides this information to Wilshire. VE's buyout and venture capital databases are quite large and should provide a meaningful basis for comparison. The mezzanine database has much fewer data points and, therefore, is a less meaningful reference point.

⁷ Source: Venture Economics. This universe contains 10-60 funds per vintage year.

Exhibit IV below shows the CalPERS mezzanine performance compared to the VE Mezzanine Universe. Mezzanine has been a relatively small area of investment in the Program. The Program's funds have generated mixed performance when compared to the universe median. The segment has outperformed in 1992, 1994, 1998, and 1999, while trailing in 1996, 1997, and 2001. There were insufficient funds in the Venture Economics database to issue a median return for 2003-2006.

Exhibit IV⁸

CalPERS Performance vs Mezzanine Median Return

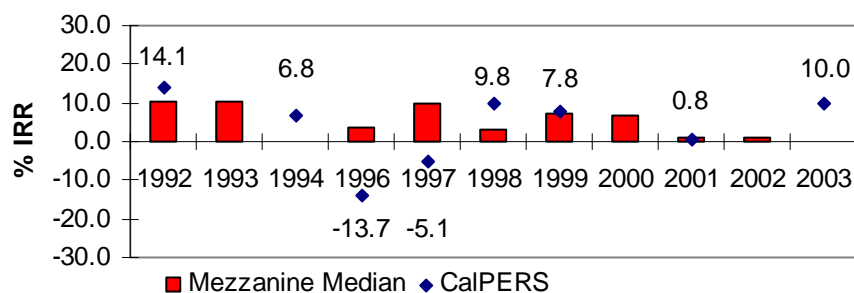
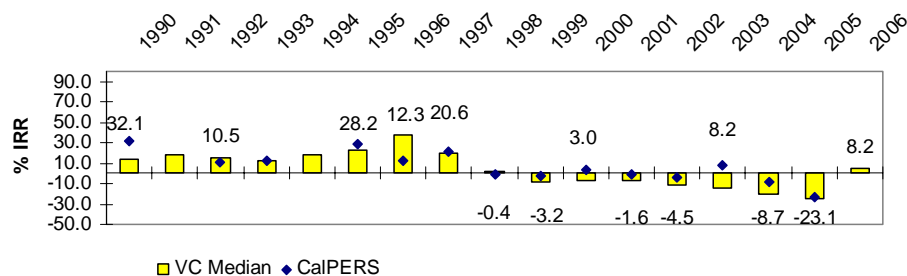


Exhibit V displays the VE Venture Capital Universe. The Program's performance in this segment has been mixed. CalPERS' venture capital funds have outperformed the universe median during most vintage years, with insufficient data for 1991 and 1994. Please note that these investments are still fairly young and their relative performance may not be indicative of future potential.

Exhibit V⁹

CalPERS Performance vs Venture Capital Median Return



⁸ Source: Venture Economics. The mezzanine median for 1994 and 2003 are not shown due to an insufficient universe size. CalPERS does not have mezzanine investments for 1993, 1995, 2000, and 2002.

⁹ Source: Venture Economics. This universe contains an average of approximately 50 funds per vintage year/ CalPERS did not have performance date for 1991 and 1994.

Market Environment

Public Markets & Alternative Investment

U.S. equity markets produced stellar returns during the first six months of 2007, as evidenced by the Dow Jones Wilshire 5000 Index and the S&P 500 Index returns of 7.6% and 7.0%, respectively, as small cap stocks outperformed versus large cap stocks. The non-U.S. equity markets also had significant gains as investors continued to invest overseas as the US Dollar continues to depreciate against most major currencies. The Federal Reserve stopped raising the Federal Funds Rate during the 1st quarter of 2006, and did not decrease rates until September 19th. Bond returns lagged equities but still produced a 1.0% return for the year-to-date. High Yield Bonds outpaced investment grade bonds as the First Boston High Yield Index returned 3.7% versus the Citigroup High Grade Index's return of -1.9%.

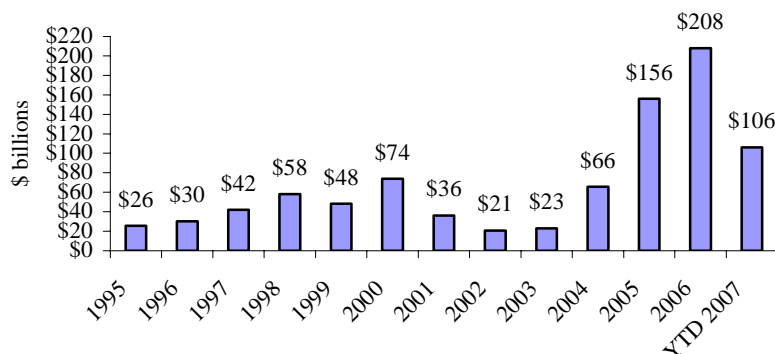
Alternative Investment activity declined but the size of the major deals was astounding as the first six months of 2007 set a new high for private equity deal making. North America saw \$460 billion in buyout deal value, which is already more than total deal value for the full year of 2006.¹⁰ A few of the larger deals include KKR's private equity bid to take processing firm First Data at a proposed \$43.7 Billion; Cerberus Capital Management acquiring Chrysler from DaimlerChrysler; and Apollo Management and Texas Pacific Group purchasing Harrah's Entertainment for \$17.1 Billion. Potentially one of the most important features of the year is the rise in the value of large-cap private equity transactions. Private equity funds continue to have strong fundraising efforts. One interesting note is private equity firms issuing IPO's in their own company. This includes Blackstone's IPO in June, Fortress IPO, and Kohlberg Kravis Roberts filing for an IPO. Investors are starting to wonder if private equity may be near its peak as private equity firms hold on to large capital reserves.

Buyout Funds

Buyout funds finished 2006 with an impressive total of \$208 billion raised. The first six months of 2007 has also had strong fundraising numbers. (Exhibit VI).

Exhibit VI¹¹

Buyout Funds - Total Assets Raised



¹⁰ Source: Mergermarket

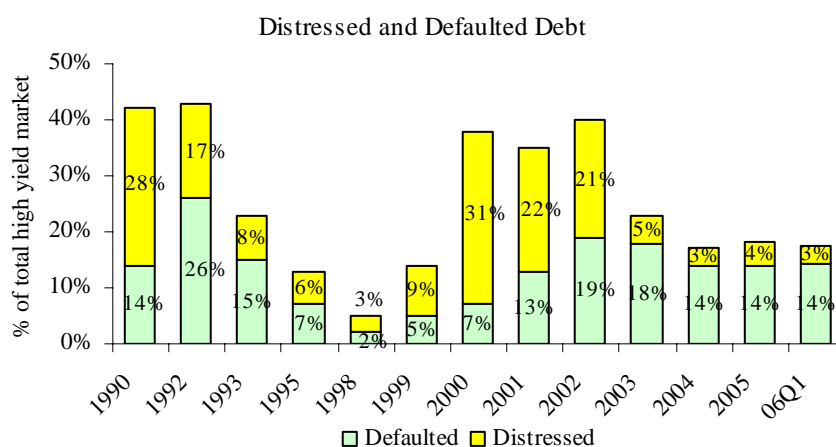
¹¹ Source: Venture Economics.

Investment activity within buyout funds has continued to flourish as 2006 was a record year and 2007 is shaping up to be as good if not better. Within to specific industry activity, the Telecommunications Sector set itself apart in that accounted for four of the top ten announced buyouts in 2007. In addition, the exit market appears to be healthy. One reason for this is the bargain shopping that followed the internet dot-com bubble. Additionally, the secondary buyout market remains healthy with quite a few SBO's occurring.

Distressed and Mezzanine Debt

The high yield market produced positive results in 2005 and 2006. Debt benefited from improved corporate profits in all areas of the market, and from investors buying high-yield bonds for higher yields. Exhibit VII below shows the percentage of distressed and defaulted debt within the overall high yield market through the 1st quarter of 2006 as measured by the Altman Index. From 1993 to 1999, defaults in the high yield market had been rather benign, but corporate scandals and bankruptcies pushed those numbers up quickly in 2000-2002. The last time the high yield bond market traded in a similar pattern was during the 1990-1992 period. In 1990, roughly 28% of the high yield market traded at distressed levels¹², and 14% of the market consisted of defaulted bonds. Since 2003, the levels of defaulted and distressed debt have decreased. At the end of 2004, the levels stood at 3% and 14%, respectively, dramatically lower than the figures reported for 2000-2002. The default rate from 2004 to the 1st quarter of 2006 remained stable. However, in 2006 the full-year default rate will likely fall below last year's since the largest defaults of the last twelve months- Calpine, Delta, Delphi, and Northwest all occurred in 2005.¹³

Exhibit VII¹⁴



Mezzanine fundraising has historically been approximately 10% of the capital raised by buyout funds (Exhibit VIII), but in 2005 and 2006 the section continued to attract less money than buyout funds and fundraising dipped to around 5% of buyouts. Part of the reason mezzanine debt has become a less popular borrowing vehicle is that mezzanine debt is a subordinated position and the equity warrants attached make these securities an expensive form of debt. During most of the 1990s, the high availability of high yield bond financing significantly reduced the importance of the mezzanine market. However, mezzanine debt has become more popular since the late 1990s for two reasons. First, many commercial banks tightened their lending standards given the extraordinarily high level of corporate defaults after the burst of the technology bubble, followed

¹² Exhibiting a yield spread of greater than 10% versus comparable maturity Treasury bonds.

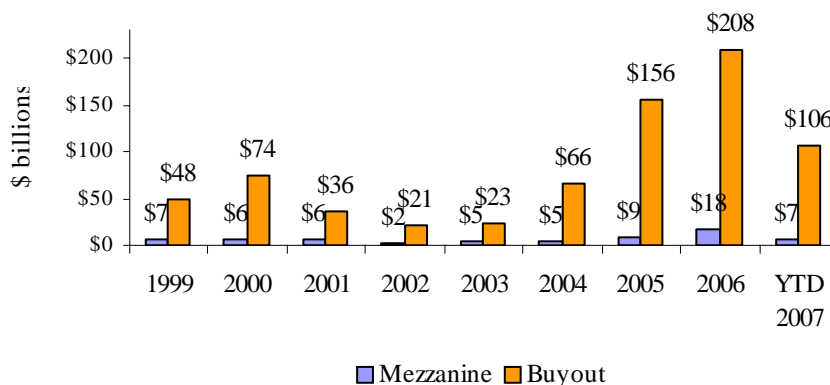
¹³ Source: Seix Investment Co.

¹⁴ Source: NYU Salomon Center and Citigroup.

by accounting scandals that rocked the financial markets. Second, the high yield market has become more difficult to access, as the minimum threshold for new high yield offering has increased to above \$150 million from \$100 million. Many small to medium-sized companies resorted to mezzanine debt to finance acquisitions, capital expenditures, or recapitalizations, but the era appears to be changing. These companies cannot utilize the high yield market to raise money due to the aforementioned issuance threshold. However, this means that mezzanine financing is usually confined to the middle-market. Mezzanine deals in the U.S. seldom exceed \$50 million.

Exhibit VIII¹⁵

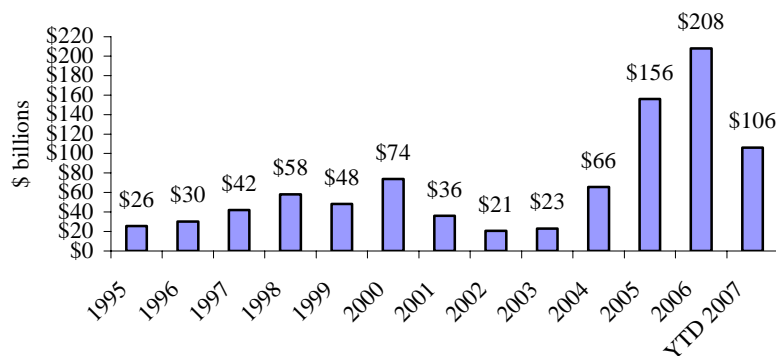
Buyout vs. Mezzanine - Total Assets Raised



Venture Capital

Venture capital fundraising efforts continue on a blistering pace as 2007 may eclipse the records set in 2006. Year to date 2007 venture capital firms raised approximately \$106 billion level (Exhibit IX).

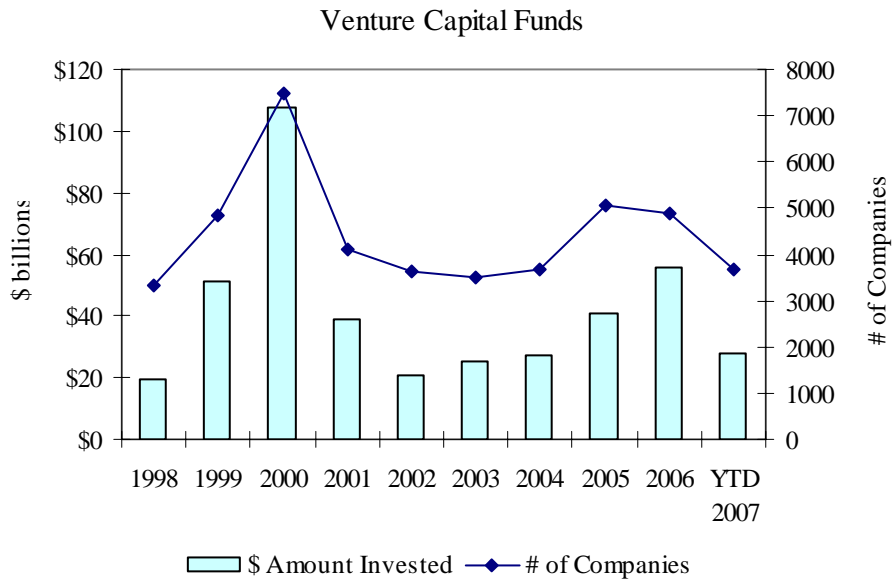
Exhibit IX¹⁶
Buyout Funds - Total Assets Raised



¹⁵ Source: Venture Economics.

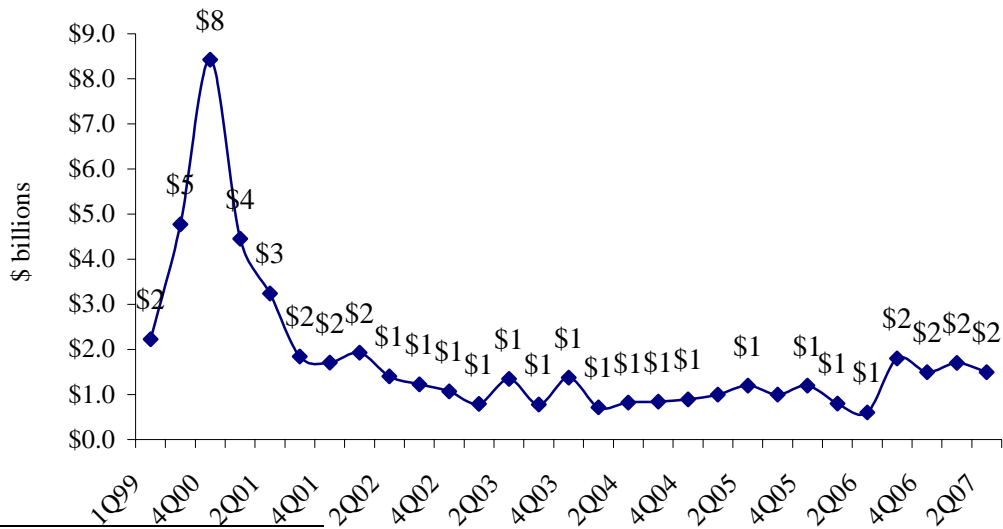
¹⁶ Source: Venture Economics.

Exhibit X¹⁷



The pace of investing within the venture capital markets in 2007 continued to be strong and the number of companies is on the up tick (Exhibit X). The investment environment is much improved when compared to the early 2000s, when liquidity in the public markets was weak and the economy was mired in a minor recession. Internet-specific investments have decreased dramatically since 2000, but the decline has stabilized over the past few years (Exhibit XI).

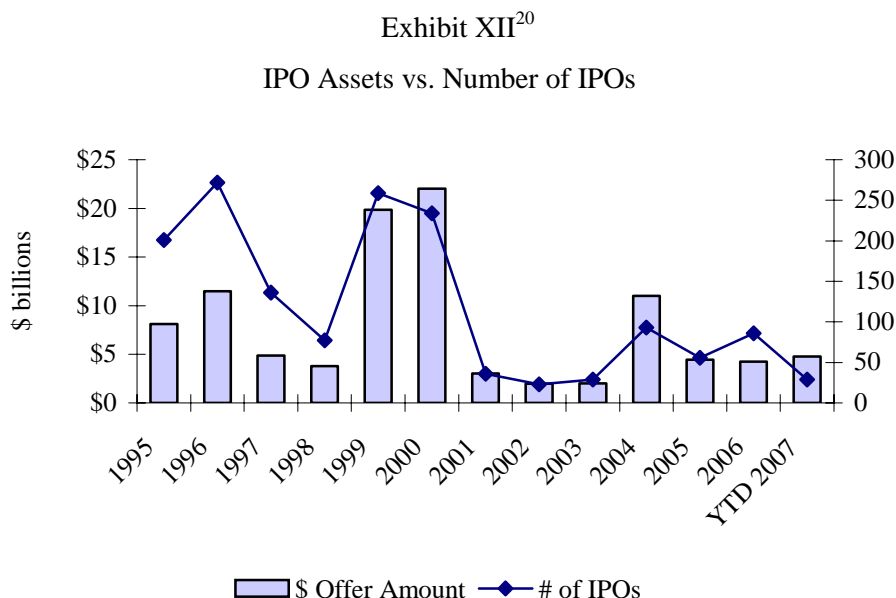
Exhibit XI¹⁸
Internet Specific Investments



¹⁷ Source: Venture Economics.

¹⁸ Source: Venture Economics.

While the Initial Public Offering (“IPO”) market is no where near the internet craze of the 2000’s, activity reached a three-year high in May when 11 companies raised over \$1.0 billion on U.S. Exchanges.¹⁹ The IPO’s included companies in healthcare, information technology, and telecommunications. If the IPO pace continues, 2007 could be a very good year for IPO’s. A few of the notable IPO’s during 2007 include AECOM Technology, a global management and technical support consulting firm; Salary.com; and MetroPCS Communications.



European Investing

European markets fund raising in private equity funds cooled slightly, with a total of \$7 billion raised with the majority of the funds going into the U.K. (Exhibit XIII). The U.K. led all countries in terms of investments, with France in second during the first half of 2007 (Exhibit XIV). The U.K. was the first non-U.S. private equity market to emerge and has matured substantially since. In addition, the strength of the Euro has provided European private equity investors increased confidence and has given investors the opportunity to focus on their businesses rather than on currency risk. Europe continues to be regarded as an ideal place for investing and is anticipated to garner increased activity, particularly within the buyout sector.

¹⁹ Source: CNN Money

²⁰ Source: Venture Economics.

Exhibit XIII²¹

European Private Equity - Total Assets Raised

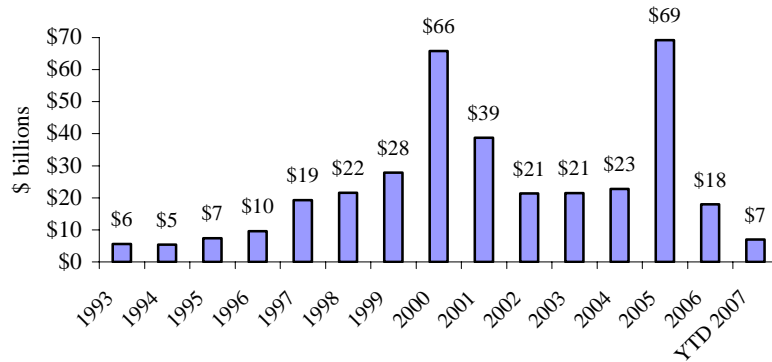
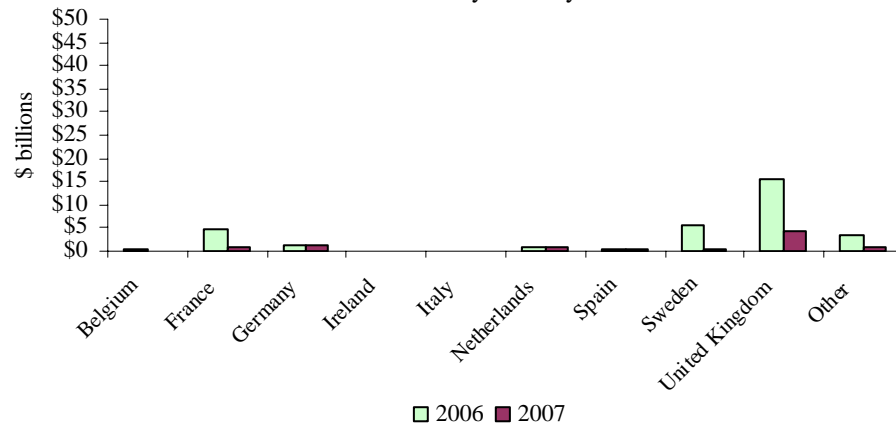


Exhibit XIV²²

Through June 30, 2007

Investments by Country



²¹ Source: Venture Economics.

²² Source: Venture Economics.



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December 17, 2007

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Deferred Compensation Program – Quarterly Report of Investment Performance
- II. PORTFOLIO:** Deferred Compensation Program
- III. RECOMMENDATION:** Information only
- IV. ANALYSIS:**

Attached for your review is a performance report for the S&P 500 Index Fund managed by the CalPERS Investment Office for the CalPERS 457 Program (for participating Public Agencies and Schools). The report contains a review of the asset growth, performance data, and a brief narrative.

V. STRATEGIC PLAN:

This item supports Goal V by providing sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.

VI. RESULTS/COSTS:

Information to Committee members.

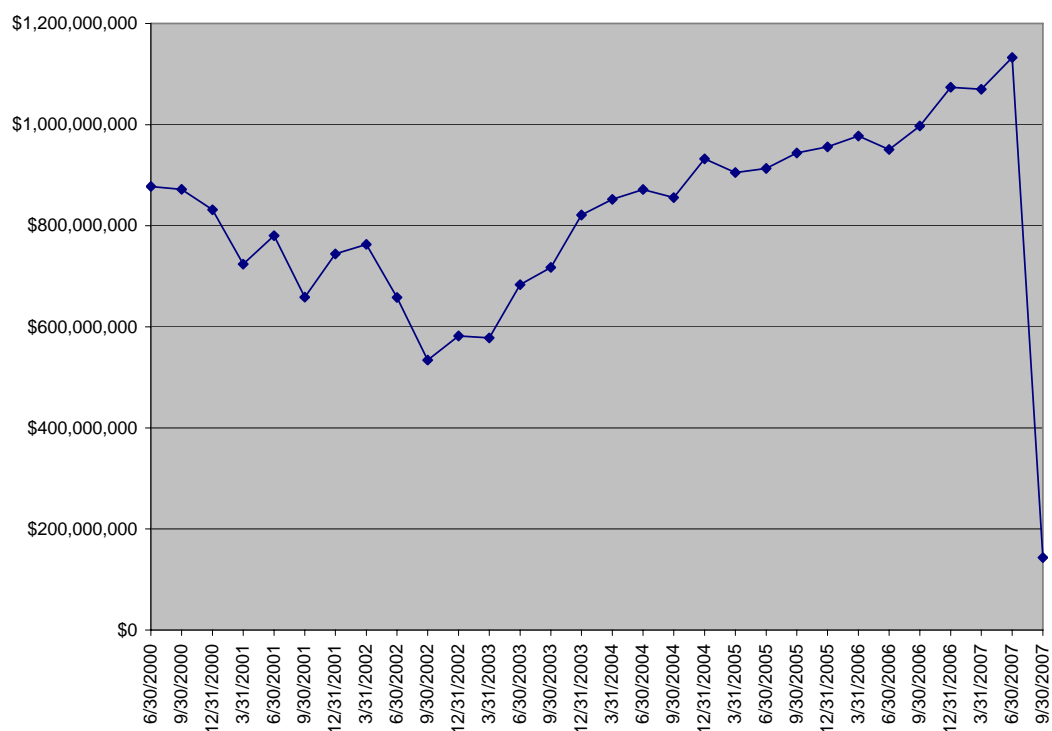
Christian Cardeno
Investment Officer

Anne Stausboll
Chief Operating Investment Officer

Russell Read
Chief Investment Officer

Deferred Compensation Program
S & P 500 Index Fund
September 30, 2007

ASSET GROWTH



	<u>12/99</u>	<u>12/00</u>	<u>12/01</u>	<u>12/02</u>	<u>12/03</u>	<u>12/04</u>	<u>12/05</u>	<u>12/06</u>	<u>09/07</u>
Market Value (\$ millions)	887.1	831.6	744.3	581.7	821.1	932.2	955.9	1,074.3	143.1

PERFORMANCE*
For Periods Ended September 30, 2007

	<u>Qtr.</u>	<u>1 Yr.</u>	<u>3 Yr. Annualized</u>	<u>5 Yr. Annualized</u>
S&P 500 Index Fund	3.75%	16.75%	13.25%	15.47%
<u>Benchmark:</u>				
S&P 500 Index	3.74%	16.44%	13.14%	15.45%

Comments: For the quarter, the portfolio had an additional return of 1 bps versus the S&P 500 index. The NAV returns for the quarter and one-year period were 3.75% and 16.75% versus the benchmark's 3.74% and 16.44% respectively. The S&P 500 Index Fund began in November 1991 with the Savings Plus Program and grew as the CalPERS 457 Program was added in February 1995.

*Gross performance. As of July 1, 1996 asset management fees for the Savings Plus Program were renegotiated to .056% per year. Prior to July 1, 1996 Savings Plus Program had asset management fees of .16% per year. CalPERS 457 Program has asset management fees of .09% per year and an administration fee of .26% per year.

**Above returns are calculated using Internal Rate of Return (IRR).



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December 17, 2007

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Securities Lending Earnings
(Quarter Ended September 30, 2007)
- II. PROGRAM:** Securities Lending
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Earnings for the quarter ended September 30, 2007, are presented to the Investment Committee for information.

Asset Class	Average Lendable Assets (\$ 000)	Average % on Loan	Net Margin (Annualized)	Net Income to CalPERS (\$ 000)
Global Equities	\$117,999,301	22%	30 bp	\$ 19,348
Global Fixed Income	\$ 38,569,063	52%	1 bp	\$ 482
Total Program	\$150,545,981	29%	17 bp	\$ 19,830

Policy Violations:

Boston Global Advisors did not violate the policy during the third quarter of the calendar year.

Credit Suisse violated the policy during the third quarter of the calendar year. The violation was a carryover from the prior quarter. Credit Suisse invested in Asset Backed Commercial Paper in June which was collateralized with prime mortgages (high quality borrowers). Staff worked with Credit Suisse to bring the portfolio back into compliance in October.

eSecLending violated the policy during the third quarter of the calendar year. eSecLending invested in Asset Backed Commercial Paper which was collateralized with prime mortgages (high quality borrowers). The investments were cured in the third quarter, bringing the fund back into compliance.

Metropolitan West did not violate the policy during the third quarter of the calendar year.

State Street Bank did not violate the policy during the third quarter of the calendar year.

The program also experienced a violation in the external cash reinvestment portfolios when a Corporate Note was downgraded. The security in question was rated AAA by S & P and Moody's upon purchase. On August 28, 2007 S & P downgraded the security to A -, breaching our policy requirement of minimum corporate note ratings of A1/A+/A+. Our Policy does not force us to sell assets which incur a downgrade. As a result, staff is currently working with both external cash managers to review all opportunities to maximize value on this holding.

V. STRATEGIC PLAN:

This program contributes to the achievement of Goal VIII of the Strategic Plan by providing low risk incremental returns to the Fund.

VI. RESULTS/COSTS:

The securities lending program generated \$19.8 million of net income for the quarter ended September 30, 2007. The average market value of securities on loan for the quarter was \$46 billion.

Mike Johnson
Investment Officer

Daniel Kiefer
Portfolio Manager

Members of the Investment Committee
December 17, 2007
Page 3 of 3

Curtis D. Ishii
Senior Investment Officer

Russell Read
Chief Investment Officer



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December 17, 2007

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Quarterly Statistics
- II. PROGRAM:** Supplemental Income Plans Division
- III. RECOMMENDATION:** Information only

IV. ANALYSIS:

CalPERS 457 Plan - During the 3rd quarter ending September 30, 2007, the CalPERS 457 Plan experienced a \$24.3 million or 3.6% net increase in assets for a total of \$706.7 million. The number of participants grew by 779 to 24,742 and agency adoptions by 7 to 609.

The current asset value of the program as of October 31, 2007 is \$722.4 million, with 25,046 participants and 611 agencies.

State Peace Officers' and Firefighters' Defined Contribution Plan (POFF) - The POFF Plan assets grew 5.9% from last quarter, to \$345.9 million. The number of participants increased by 811 for a total of 38,571.

Supplemental Contributions Plan (SCP) - The SCP assets increased 2.2% from last quarter, to \$23.3 million. The number of participants decreased by 10 to 745, for a -1.3% decrease.

V. STRATEGIC PLAN:

This item supports Goal V, by providing sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.

VI. RESULTS/COSTS:

Attachment 1 summarizes CalPERS 457 Plan information for quarter ending September 30, 2007.

Attachment 2 depicts updated monthly figures for CalPERS 457 Plan asset and participant growth for October 2007.

Geraldine Jimenez, CFA
Division Chief

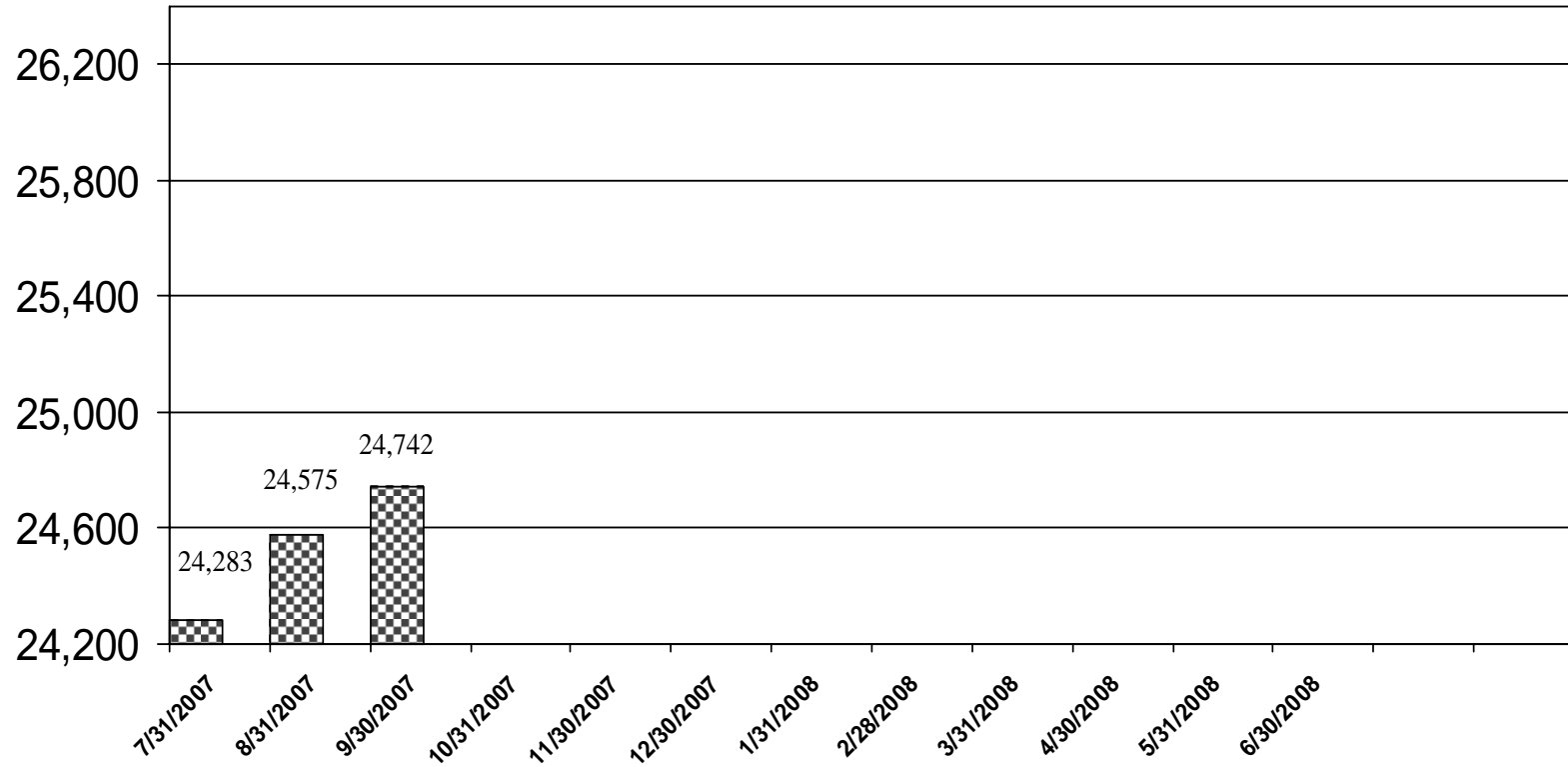
Anne Stausboll
Chief Operating Investment Officer

Russell Read
Chief Investment Officer

CalPERS 457 Plan

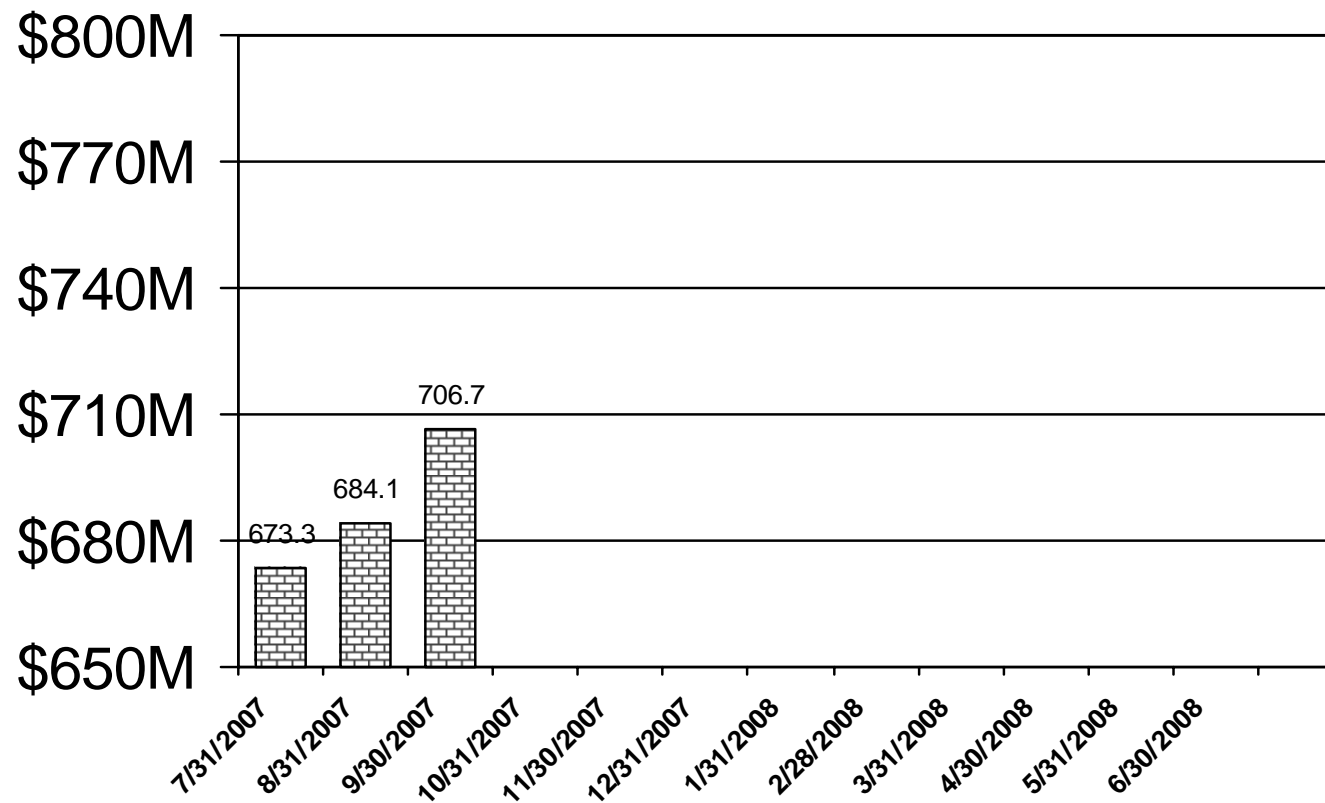
Number of Participants

3rd Qtr 2007

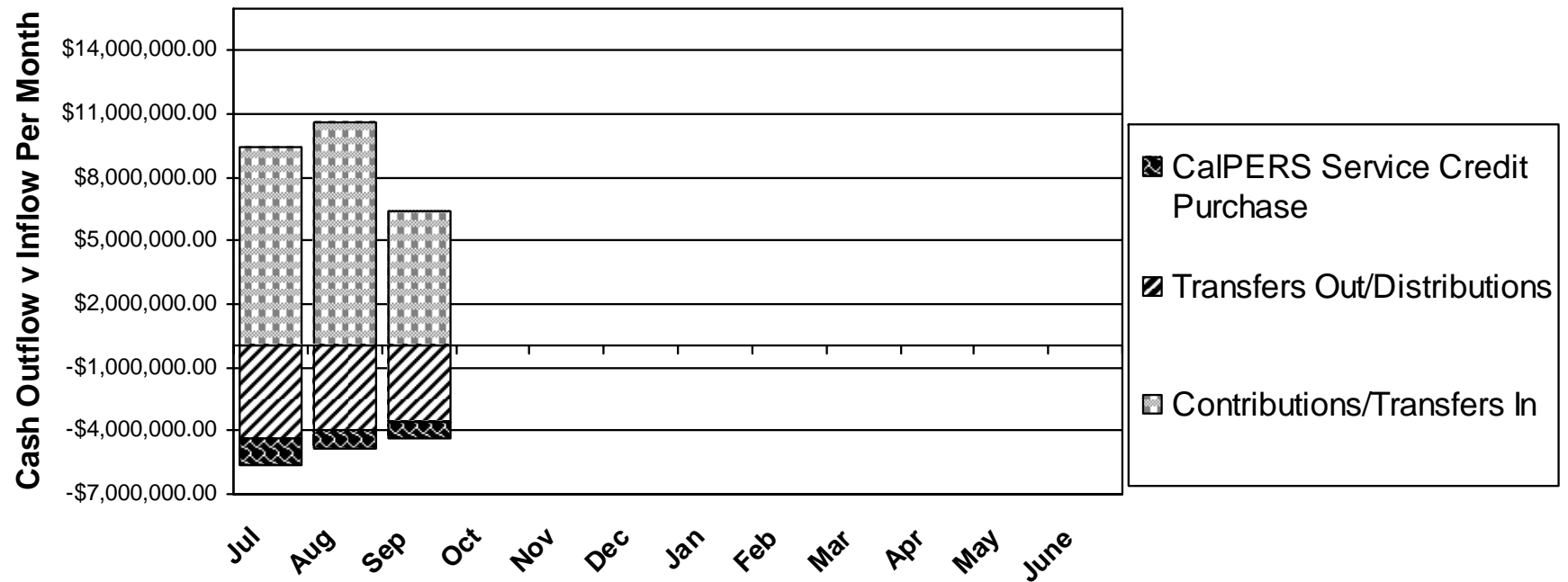


CalPERS 457 Plan Assets

3rd Qtr 2007



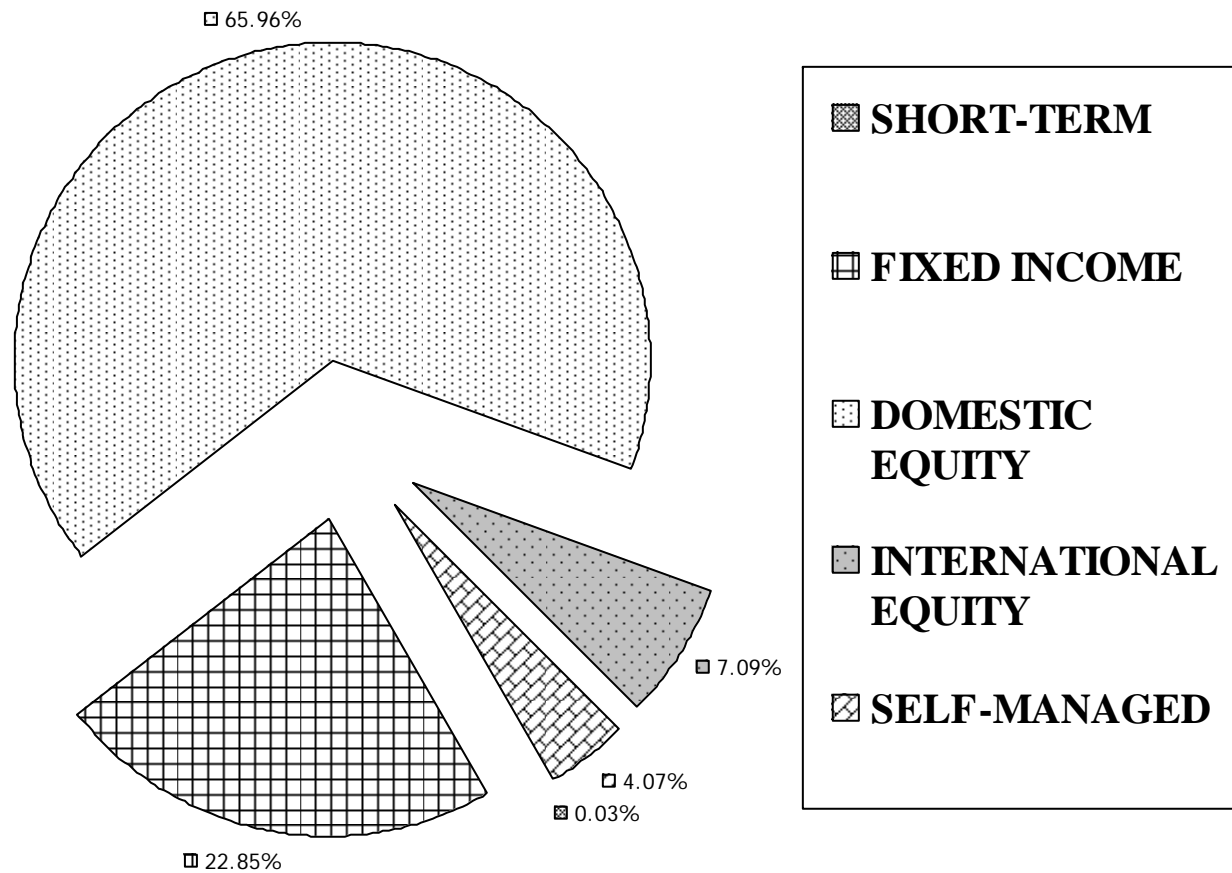
CalPERS 457 Plan Inflows vs. Outflows 3rd Qtr 2007



CalPERS 457 Plan

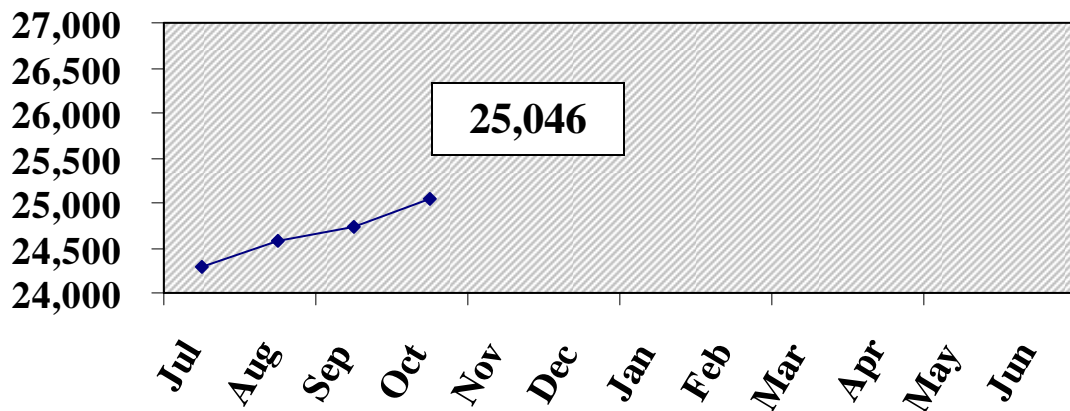
Asset Allocation

As of September 30, 2007



CalPERS 457 Plan Month-End Report October 2007

Participant Growth



Asset Growth

